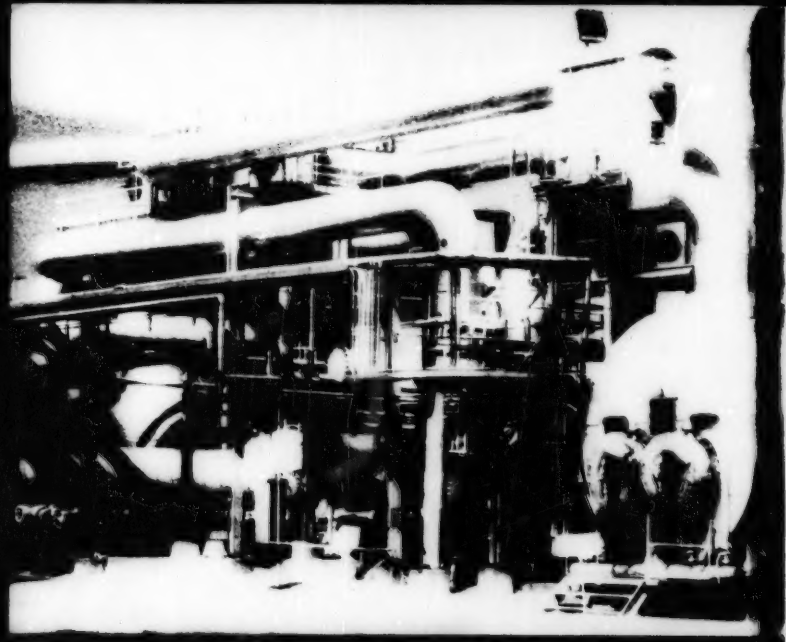
Regulatory Highlights for *2000*

EUB Alberta Energy and Utilities Board



ABOUT THIS PUBLICATION

Welcome to the third edition of *Regulatory Highlights* for 2000. This publication informs you about what the EUB did in the past year, including important regulatory issues, trends, and initiatives.

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ABOUT THE EUB

WHO WE ARE

The Alberta Energy and Utilities Board (EUB) is a provincial, quasi-judicial agency that regulates Alberta's energy resources and utilities sectors. The EUB has 750 staff in 14 locations across Alberta, with our main office in downtown Calgary.

Although the EUB makes decisions independently, we are part of the Alberta Ministry of Energy. Many people still know us by our former names: the Energy Resources Conservation Board (ERCB) and the Public Utilities Board (PUB). These two boards merged in 1995 to create the EUB, and in 1996 the Alberta Geological Survey (AGS) joined the EUB. With the combined history of our parent organizations, the EUB is the oldest regulatory agency in Alberta.

WHAT WE DO

The EUB ensures that the discovery, development, and delivery of Alberta's resources take place in a manner that is fair, responsible, and in the public interest.

The EUB has four core functions:

1) adjudication and regulation,
2) applications,
3) surveillance and enforcement, and
4) information and knowledge.

WHO WE SERVE

For the energy and utilities industries, the EUB provides

- a stable, consultative, and competent regulatory environment,
- comprehensive requirements, consistently applied and enforced,
- streamlined application review processes,
- conflict resolution among industry players (e.g., hearings, inquiries),
- resource conservation through efficient production requirements,
- a level playing field, with industry accountability for meeting operational requirements,
- accessible and up-to-date energy information, and
- coordination with other government departments for project approvals.

The public can rely on the EUB for

- public safety and environmental protection regarding energy development,
- response to public and consumer complaints for both utilities services and energy development,
- facilitation of public concerns about oil and gas development,
- the right to be heard, especially for directly affected landowners and communities,
- monitoring of energy industry operations and public consultation guidelines,
- safe and efficient utilities service at rates that are fair and reasonable,
- orderly development and conservation through efficient production and waste prevention, and
- publicly accessible information.

The EUB works closely with government departments and agencies at all levels by

- ensuring that matters of mutual concern are addressed and coordinated to avoid duplication, and
- providing information, advice, and recommendations.

PRESENT AND FUTURE CHALLENGES AT THE EUB —BY NEIL McCRANK

We are confident that dedication to our vision and values ensures that we will be well prepared for the challenges that arise as Alberta continues to thrive and grow.

As an organization, the EUB faces many challenges associated with the growing industries it regulates. Our staff are constantly reviewing and updating policies and procedures to adapt to this growth in the greater context of serving the needs and interests of the people of Alberta.

In 2000, we made great strides in meeting these challenges. We also introduced some new initiatives that better position us to meet these challenges in the years to come.

Last year we implemented measures designed to realign the four core areas of our business:

1) Adjudication and Regulation - We have exceeded our goal of delivering at least 90 per cent of hearing decisions within 90 days of the close of a hearing.
2) Landowner/Industry Concerns - We have significantly increased our field staff levels and have implemented the Appropriate Dispute Resolution process to address concerns before matters go to a hearing.
3) Human Resources Strategy - We are bringing staff compensation in line with the industries we regulate to limit turnover and enhance our ability to attract skilled professionals.
4) Information Technology Renewal - We have made great strides in moving our vast stores of data to new storage facilities and updating and simplifying our Web site.

To further increase our ability to achieve our mandate, we have implemented three new initiatives:

1) Public Safety and Compliance - Recommendations from the Provincial Advisory Committee on Public Safety and Sour Gas were submitted to the Board in December 2000. We are committed to implementing as many of the recommendations as possible and have already begun work on several. We have also made significant progress in enforcing our regulations and increasing public consultation requirements for industry applications.
2) Utility Regulation - We met all legislated requirements related to electricity deregulation in 2000.
3) Conservation - We are dedicated to ensuring that Alberta's resources are developed in a manner that is fair, responsible, and in the public interest. Resolving key conservation issues, such as gas-over-bitumen, remains a priority for our staff.

As industry activity and Alberta's population grow, we must remain vigilant in pursuing our organizational goals. To enhance our ability to meet these objectives, in 2000 we met with the public, industry representatives, government departments, environmental nongovernment organizations, and other stakeholders to help us identify issues and develop solutions. The Advisory Committee on Public Safety and Sour Gas owes much to participants from all of these groups.

We expect that the years ahead will bring new challenges and an even greater need for the EUB to adapt and collaborate with stakeholders. Oil and gas industry activity continues at a record pace, vast sums of money have been committed to oil sands development, sour gas drilling and development are increasing, and issues remain regarding electricity and natural gas deregulation that we must address.

Despite the increase in activity and the associated issues, we remain committed to our vision of building a regulatory framework that inspires public confidence. To do so, we have incorporated the values of fairness, competence, and quality in all aspects of our organization. We are confident that this dedication to our vision and values ensures that we will be well prepared for the challenges that arise as Alberta continues to thrive and grow.

DIRECTIONAL STATEMENTS

Our Directional Statements represent broad policy directions within which the EUB conducts its business. These key areas present significant challenges that require clear direction. The directional statements help us become a better organization, more accountable and able to address our priority issues.

We review these statements on an ongoing basis to ensure they are relevant and current. We have developed implementation strategies and will monitor our progress in achieving our long- and short-term goals related to our Directional Statements.

1. CONSERVATION/RESOURCE APPRAISAL

Affirm conservation, equity, and appraisal of the province's energy and non-energy resources as a fundamental aspect of the mandate of the EUB.

2. PUBLIC INTEREST

Ensure that all elements of the public interest are fairly and objectively considered in all aspects of the EUB's business.

3. UTILITY REGULATION

Provide progressive utility regulation to enable innovative approaches to establish fair and reasonable rates while ensuring customers continue to receive safe and reliable service.

4. COMPLIANCE

Ensure conservation, public safety, and environmental protection through industry compliance in its applications and operation of facilities.

5. HUMAN RESOURCES

Ensure a quality workforce that meets the EUB's needs now and into the future.

6. INFORMATION MANAGEMENT

Ensure that the EUB has modern, state-of-the-art information systems that are on a technological par with stakeholders.

7. ADVISORY

Provide expert advice to government, industry, and the public on matters within the EUB's mandate.

8. MANAGING THE BUSINESS

Ensure that administration, management, and accountability mechanisms are in place to enable the EUB to effectively manage its business.

EUB BOARD MEMBERS 2000

OPERATIONS REPORT

In the face of record activity, our staff achieved a number of accomplishments in 2000, including increased and more positive interaction with the public.

The EUB established a new all-time high for activity in several areas. Most notably, the number of facilities applications we received and processed increased dramatically, to 28 728. In 1999, there were 20 450 applications. In addition, the demands on our Utilities Branch staff to meet our legislated requirements on electricity deregulation were extremely high.

The Utilities Branch put out 71 decisions related to electricity and natural gas rates, terms and conditions, facilities, and other issues related to deregulation last year. In comparison, there were 22 utilities decisions in 1999. Overall, there were 96 decisions issued in 2000, versus 53 the year before.

Our staff achieved a number of accomplishments in 2000, including increased and more positive interaction with the public.

Despite the high workload and increased pressure this activity created, our staff did a remarkable job in meeting the demand and increasing efficiency. For example, our facilities group achieved our goal of reducing the turnaround time for routine facilities applications to 3-3.5 days.

Amid this increased workload, our staff also did an exemplary job of reaching out to Albertans and listening to their concerns. This was realized through a number of different events and processes, such as

- Open Houses—Local residents were invited to attend information sessions in several areas of high oil and gas activity in Alberta, including Strathcona, Edson, and High Level.
- The Advisory Committee on Public Safety and Sour Gas—A final report from the committee was submitted to the EUB in December 2000, outlining 87 recommendations related to sour gas issues. The EUB formed the Public Safety Implementation Team in January 2001 and has already begun work to implement the recommendations.
- Appropriate Dispute Resolution (ADR)—To more effectively handle disputes between industry and landowners, an ADR pilot was launched in January 2001. The voluntary process involves the selection of a third-party mediator to help the parties resolve their differences without going through a lengthy and costly public hearing.

The outstanding performance of EUB staff over the course of the year has led to the implementation of several programs designed to encourage existing staff to stay at the EUB and to recruit new employees.

By focusing on staff development, enhancing the EUB's work environment, and better informing and involving staff in EUB activities, we hope to enhance what we feel is already an extremely positive and rewarding work environment.

For example, we have hired an additional 12 field staff in the past fiscal year to increase our field presence and better handle increased industry activity.

Looking ahead, the challenges will undoubtedly increase in complexity and volume, as industry activity continues to intensify. We will prepare ourselves for these challenges by following through on our commitment to the Public Safety and Sour Gas recommendations, continually augmenting our accessibility through open houses and other public engagement initiatives, and further enhancing our competitive package to attract and retain quality staff.

We are confident that our commitment to these initiatives, combined with our talented employees, make us well prepared to deal with all challenges that will arise in the future.

EUB ORGANIZATION CHART

Board Members
Arden Berg
Brian Bietz
Jim Dilay
Graham Lock
Tom McGee
Brad McManus
Gordon Miller

Chairman
Neil McCrank

General Counsel
Mike Bruni

Chief Operating Officer
Earle Shirley

Public Safety Implementation Team
Harry Lillo

Applications Branch
Andy Warren

Corporate Support Branch
Diane Earle

Finance Branch
Dick Batten

Law Branch
Mike Bruni

Resources Branch
Terry Hurst

Compliance and Operations Branch
John Nichol

Field Surveillance Branch
Dwayne Waisman

Information and Systems Services Branch
Lynda Fleming

Utilities Branch
Bob Heggie

EUB EXECUTIVE COMMITTEE 2000

UTILITY REGULATION CONTINUES TO EVOLVE

...during 2000, and for the first time in EUB history, over half of the EUB news releases issued were devoted exclusively to utility matters.

The EUB regulates investor-owned gas, water, and electric utilities in ways that must balance the needs of utility companies to earn a fair return of, and on their investment with the needs of Alberta consumers for fair and reasonable rates. Typically the EUB's utilities workload is dependent on factors such as numbers of applications, price fluctuations in the marketplace, and changes to legislation or regulations. All three of these factors came into play during 2000, resulting in an extremely busy year for EUB Utilities Branch staff, another reflection of the ongoing and fast-paced evolution of Alberta's utility industry.

ALBERTA CONSUMERS TAKING NOTE

While utility matters have always been far reaching and important, they were usually off the "radar screens" of the general public, except for the occasional high-profile issue. However, given the changes to the legislation governing utility matters, coupled with the significant increases in gas and electric energy supply costs, the public's mind-set has understandably changed. An example of this shift is the fact that during 2000, and for the first time in EUB history, over half of the EUB news releases issued (28 out of 52) were devoted exclusively to utility matters.

But EUB utility regulation goes far beyond selective public pronouncements. During 2000 the Board issued 71 decisions, some of which resulted from long and complex public hearings involving many stakeholders. In addition, over 100 separate utility orders were also issued regarding rate changes, franchise applications, and other matters.

Alberta consumers have certainly taken note of the many changes in the world of utilities. The price of natural gas has been on the rise for several years now in response to a reduced supply and a wider North American marketplace. Many experts believe natural gas prices will decrease as additional supply is brought on stream, but in the meantime increases in gas bills have had to be dealt with by consumers and businesses alike.

...the utility industry will continue to evolve, occasionally involving some friction and adjustments. Some of this is reflected in the approximately 1000 telephone complaints that the EUB recorded and dealt with in 2000.

ELECTRICITY DEREGULATION

Due to the ongoing deregulation of the electric industry, much has changed over the last several years, including the players in the game, the utility companies themselves. For example, in 2000, TransAlta Utilities Corporation sought and obtained EUB approval to sell its distribution and retail businesses to UtiliCorp Networks Canada (Alberta) Ltd. UtiliCorp, in turn, sought and obtained EUB approval to sell its retail assets to EPCOR Energy Services (Alberta) Inc., a wholly owned subsidiary of EPCOR Utilities Inc. Traditionally, one company provided Alberta customers with all aspects of their electric utility service, including generation, transmission, and distribution. Under the new legislative framework in Alberta, both the generation of power and its retail sale to customers are being deregulated. This means customers may soon obtain different aspects of electric service from different companies. So while a customer's local distribution utility will continue to operate and maintain the wires to provide electricity to the customer's home, another entity may be supplying the power itself.*

The role of the EUB is also changing. Wholesale electricity prices will no longer be regulated by the EUB. Similarly, the prices customers are charged for power by competitive retailers will not be set by the EUB. However, transmission and distribution services will remain fully regulated. These are natural monopolies, because it wouldn't make economic sense to have two sets of wires and poles to deliver electricity to customers. In light of this, the EUB will continue to regulate delivery rates for investor-owned utilities to ensure that they are fair and reasonable. In addition, the EUB will continue to oversee the safety and reliability of delivery service. Delivery charges for other utilities will continue to be set by the applicable regulator—by municipal councils for most cities with municipally owned electric utilities and by the Board of Directors of various rural electrification associations (REAs).

* Further information on customer choice in both the natural gas and electricity market is available on the Alberta Government customer choice Web site at <www.customerchoice.gov.ab.ca>.

FACILITY APPLICATIONS REVIEW—AN IMPORTANT EUB FUNCTION

Applications for approval of electric facilities also figured prominently in the EUB's world of electric utility regulation. Although the price for electric energy is now determined by the marketplace, EUB approvals are still required for power generation, transmission lines, and substation facilities. These types of applications are carefully reviewed for their operational, siting, and environmental impacts, similar to EUB reviews of other proposed energy developments.

During 2000, about 40 electric power generation applications were approved by the EUB. Although many were smaller units with limited output, less than 1 megawatt, many had more substantial output capabilities, which will assist with Alberta's supply and demand balance. (One megawatt is equal to the amount of electricity needed to power about 1200 homes). Along with these power generation applications, the EUB also approved about 50 electric transmission line and substation applications that were needed to support a vibrant Alberta economy and safe and reliable utility infrastructures.

The utility industry will continue to evolve, occasionally involving some friction and adjustments. Some of this is reflected in the approximately 1000 telephone complaints that the EUB recorded and dealt with in 2000. This reinforces the fact that utility matters are more and more important to the general public. Adapting to these changes will continue to be a challenge not only for the EUB, but also for businesses, the general public, and the utilities themselves.

TRENDS IN EUB HEARING DECISIONS

The increase in utilities activity was largely due to the onset of electricity deregulation in 2001 and the EUB's role in providing regulatory requirements for that framework.

In 2000, the EUB dealt with 81 applications which resulted in a hearing and proceeding, a substantial increase from 44 in 1999. This included 21 energy hearings and 60 utility proceedings* and is by far the largest number of proceedings for one year since 1985, when there were 89. The fewest number of hearings ever held was 12, in 1992. The average length of time between the end of a hearing and release of a decision was 46.1 days.

The Board also issued 25 energy-related and 71 utility-related decisions in 2000, compared to a total of 53 decisions in 1999. The large increase in utilities activity was primarily due to the onset of electricity deregulation in 2001 and the EUB's role in providing regulatory requirements for that framework.

DECISION FACTS

ENERGY DECISIONS

For decisions on hearings that involved public interveners, the Board approved 9 applications outright and 7 with conditions. In addition, 2 applications were denied following hearings, and 6 were classified as special. When the Board issues a decision, there are normally three potential outcomes: approved, approved with conditions, or denied. Occasionally, the Board issues decisions that are unusual in some way, or do not fall into one of these categories. They are classified as "special."

* Utility proceedings include oral and written hearings, review and variances, as well as refilings.

One of the denials was *Decision 2000-8*. Berkley Resources Inc. applied to re-enter a sweet oil well in the Leduc-Woodbend field. The Board ruled that the well's proximity to the landowner's home and farming operation, the well's gas potential, and the existence of a suitable alternative location were sufficient to deny the application.

The second denial was *Examiner Report 2000-1*. Bearspaw Petroleum Ltd. applied to re-enter an abandoned well in the Drumheller field. The application was denied due to unacceptable impacts from the proposed access to the site, insufficient evidence regarding mitigation of impacts, and concerns about completeness of information submitted to Alberta Environment by the company.

Energy decisions of note included:

- *Decision 2000-20*: Dynegy Canada Inc. applied for the continued operation of a sour gas pipeline and sweet fuel gas pipeline southeast of Calgary. The decision also addressed an application by Pinon Oil and Gas Ltd. to construct and operate a new sour gas compressor station and sour gas pipeline in the same general area. The Board approved Pinon's application and issued an interim approval to Dynegy, with the condition that Dynegy and local landowners would work towards an agreement on a framework that allowed Dynegy's

For the 81 applications that went to hearing:

- The average length of time between an energy facility application being filed and a hearing was 225 days.
- The average length of time between a resource application being filed and a hearing was 243 days.
- For corporate compliance matters, the average length of time between filing and hearing was 554 days.
- The average length of energy hearings was 3.2 days.

pipelines to continue operations, but also allowed for the planning and development of urban growth into the pipeline area in the future. The Board also required participants to submit their agreement by October 1, 2000, or face a final ruling based on the evidence submitted at the hearing. The Board subsequently extended the deadline. In March 2001, the parties negotiated a Land-use and Resource Development agreement that extends the operating life of the system, while setting a definite timetable for landowners to move forward with their plans for the affected land parcels.

- *Decision 2000-21*: Goodwell Petroleum Corporation Ltd. applied for the immediate shut-in of 16 AEC East horizontal bitumen wells in the Brintnell sector of the Athabasca oil sands on the grounds that the wells were producing significant volumes of gas-cap gas, which AEC East did not have the right to produce. The Board ordered three of the wells shut in pending AEC's acquisition of the gas rights and imposed certain other conditions for the continued operation of the wells.
- *Decision 2000-22:* Gulf Canada Resources Limited applied to have 183 gas wells in the nearby Surmont oil sands area shut in. Gulf argued that the wells were depleting the gas cap in the area and jeopardizing recovery of bitumen by lowering pressure in the producing zones. Given the massive size of the bitumen resource compared to the relatively small amount of gas in the area, the Board ordered 146 wells shut in, citing their potential to reduce bitumen recovery in the area. In this case, the companies producing the gas cap had legally acquired the mineral rights from the Government of Alberta. This decision led to negotiations over compensation for the producers whose gas was shut in. These were ongoing at the end of 2000.
- *Decision 2000-59:* A Joint Review Panel of the EUB and the Canadian Environmental Assessment Agency (CEAA) recommended, for a second time, that the Cheviot Coal Project receive approval from the Government of Canada. The Cheviot project is a surface coal mine proposed by Cardinal River Coals Ltd., located approximately 50 kilometres south of Hinton, Alberta. The first report, issued by the Joint Panel in 1997, was rejected by the Federal Court in April 1999 for noncompliance with the Canadian Environmental Assessment Act. The panel was reconvened and a second hearing was conducted in March/April 2000. *Decision 2000-59* stated that most of the environmental effects of the Cheviot project, including cumulative effects, were insignificant. The panel also made a number of recommendations designed to ensure that any adverse effects that might occur were effectively mitigated.

UTILITIES DECISIONS

- The average length of time between the end of a utilities hearing or proceeding and release of a decision was 39.8 days.
- A number of utilities decisions were issued within legislative time lines set out for electricity deregulation. Transition to customer choice within the electric industry required complete unbundling of the various components of electric service. Generation and retail service were deregulated as of January 1, 2001. However, given the fact that the transmission of electricity is a natural monopoly, the EUB was required by statute to approve tariffs for these components of the electric industry for 2001. The EUB also approved a regulated rate option (RRO), available for a transition period, to allow residential, farm, irrigation, and small commercial customers time to choose a competitive retailer as the market evolves. RRO tariffs for ATCO Electric and EPCOR Energy Services (Alberta) Inc. (within the service territory of UtiliCorp Canada Corp.) were approved for implementation on January 1, 2001. Eventually, the RRO will be phased out across Alberta, and all consumers will be required to sign with a retail service provider.

THE EUB RESPONDS TO PUBLIC CONCERNS ABOUT THE FUTURE OF SOUR GAS DEVELOPMENT

...the EUB and the industry are endeavouring to ensure that sour gas operations have minimal negative impacts on the public.

Sour gas development has become a significant issue within the province of Alberta. In one of the great ironies of natural resource reserves, Alberta is blessed with an abundance of high-quality coal, which contains very little sulphur. However the province is also blessed, or cursed, depending upon your point of view, with another abundance of a natural resource known as "sour gas," which contains large amounts of sulphur. This sulphur is found in natural gas containing a toxic component known as hydrogen sulphide, or H_2S.

The sour gas industry has been active in Alberta for more than 40 years. Over one-third of Alberta's produced gas is classified as sour, and Alberta accounts for about 85 per cent of Canada's total sour gas production. Sour gas is very toxic to humans and animals at relatively low concentrations. Therefore, the exploration for and production of sour gas must be undertaken with special equipment and safety procedures to assure both worker and public safety. As the continental demand for natural gas increases, both so-called "sweet" natural gas (gas without any H_2S) and sour gas exploration and production are increasing. And as sour gas activity levels have increased, so have public concerns.

The EUB began responding to these concerns by forming a "blue-ribbon" Advisory Committee on Public Safety and Sour Gas in January 2000 to review the regulatory system for sour gas as it relates to public health and safety. The committee had 22 members, reflecting a broad cross-section of stakeholders affected by sour gas development, including public members and experts from disciplines such as risk management and health. Funding, secretariat services, and support were provided by the EUB.

In order to fully research, understand, and respond to public concerns related to sour gas issues, the committee conducted

a unique and extensive public outreach program. Travelling to communities around the province that had involvement with sour gas, committee members conducted one-on-one discussions with the public. Telephone, fax, and e-mail communications were also used, and a Web site was put in place that offered sour gas information and updates on committee activity.

The committee also reviewed Alberta's sour gas regulatory system in order to evaluate the current regulatory process and the rules and regulations the sour gas industry must follow. In October 2000, an interim *Directions* document was published and distributed to public participants from the first round of community discussions, as well as to any other interested parties. The *Directions* document identified those issues related to the sour gas regulatory system that the committee believed to be of greatest importance. It also identified and discussed various directions the committee was moving towards in forming recommendations to the EUB regarding sour gas development issues.

The committee then conducted a second public outreach program before finalizing its findings and recommendations.

In December 2000, a report was formally presented to the EUB detailing 87 specific recommendations the committee wanted to see implemented. In this *Public Safety and Sour Gas Findings and Recommendations Final Report*, the committee states: "Alberta currently has an extensive and comprehensive oil and gas regulatory and enforcement system. The Committee is of the view that the EUB and the industry are endeavouring to ensure that sour gas operations have minimal negative impacts on the public. While the Committee is aware that progress has been made, most notably in initiatives like the Appropriate Dispute Resolution process [see separate story in this issue of *Regulatory Highlights*] and increased public consultation requirements, the Committee believes that further improvements must be made."

On that basis, said the committee, its recommendations fall under the general categories of

- a better understanding of sour gas,
- improving the sour gas regulatory system,
- reducing the impacts of sour gas on public health and safety, and
- "most important," improving the consultation that takes place with the public on all sour gas matters.

COMMITTEE RECOMMENDATIONS

In its report, the committee stated: "A major area where further effort is needed, on a priority basis, is in the understanding of the effects of sour gas on human health. Effort is also needed to standardize the technical procedures related to dispersion modelling and probabilistic risk assessment. These should then be used with the improved knowledge of health effects, to review current policy and requirements to protect public health and safety."

To accomplish this, the committee recommended that the EUB work with appropriate stakeholders to

- develop comprehensive health effects information for sour gas mixtures and the combustion products of sour gas;
- identify and support required research respecting the health effects of sour gas;
- develop a framework and methodology for standardizing dispersion modelling and probabilistic risk assessment, and update them regularly;
- upgrade EUB sour gas databases; and
- review the current criteria and approach for establishing sour gas setbacks and for emergency planning zones (EPZs) on the basis of the health effects information and standardized dispersion modelling and risk assessment methodology.

Another area of major concern relates to the effectiveness of consultation among all parties involved with sour gas. In this respect, the committee recommended

- a more consistent approach to public consultation;
- more stringent action by the EUB to ensure that public consultation programs are effective;
- development of effective public consultation and communications training programs;
- formation of an EUB information office and a staff resource team that focuses on public consultation;
- improved written material on technical issues related to sour gas and the role of the EUB and its regulatory and enforcement actions;
- greater emphasis by the EUB on developing relationships with all stakeholders;
- more information sessions and workshops respecting sour gas; and
- actions that would make it easier for the public to contact appropriate industry and EUB officials.

The committee heard many concerns about all aspects of emergency response planning (ERP), including the decision-making processes used to approve reduced EPZs. It made many recommendations to address these matters, including

- at the time of application, assessment by the EUB of the capability of an operator to effectively implement an ERP;

- improved early coordination with other responders and other plans in the area;
- more frequent audits by the EUB and development of requirements for mandatory testing of ERPs;
- development of requirements and clear evacuation criteria for sulphur dioxide (SO_2) when a well is ignited;
- development of clear criteria for introducing a reduced EPZ;
- clarification of additional required protective measures for public health and safety when an EPZ is reduced, including improved definition of immediate ignition and roles and responsibilities; and
- more complete and concise guidelines and requirements for the development and implementation of ERPs.

Obviously, these are just a few of the 87 recommendations made by the committee in its final report.

IMPLEMENTATION

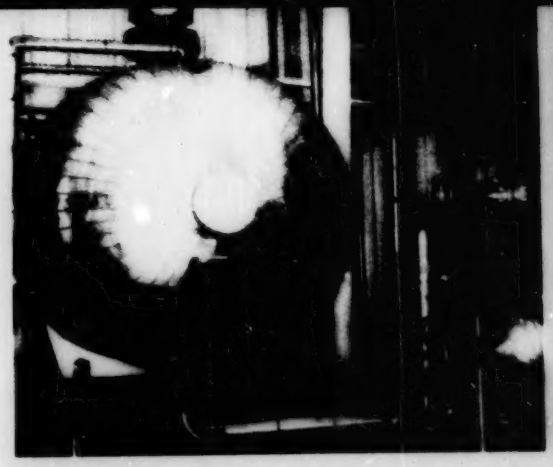
Upon receipt of the report, EUB Chairman Neil McCrank stated: "The EUB is strongly committed to acting on the recommendations of this committee." He added that the EUB had already established a Public Safety Implementation Team of senior EUB staff whose sole responsibility is coordinating the planning for and implementation of the recommendations of the committee. This will be a multiyear process, with work on the highest priority items commencing immediately.

"The safety of the public around oil and gas operations, especially those producing sour gas, has always been of utmost importance to the EUB," said McCrank. "On behalf of the EUB, I am very pleased that the work of the committee has produced such a comprehensive assessment of the current state of regulations regarding sour gas development. The extensive work of this committee has resulted in recommendations on almost every aspect of sour gas development as it relates to public safety."

...implementation of many of the committee's recommendations will also require the commitment of other organizations and government departments, ...building even stronger cooperative relationships with these groups to ensure the best regulatory system possible.

McCrank noted that implementation of many of the committee's recommendations will also require the commitment of other organizations and government departments, and he is looking forward to building even stronger cooperative relationships with these groups to ensure the best regulatory system possible. As the year 2000 ended, the EUB was reviewing each recommendation to identify required actions and begin involving affected stakeholders. In consultation with those stakeholders, the EUB will develop an implementation plan and report its progress to the committee and the public on a regular basis.

The advisory committee itself intends to meet annually until all the recommendations are implemented or acted upon. At these meetings, the committee will evaluate the actions taken by the EUB towards implementation and then provide an evaluation report to the EUB and all stakeholders. Additionally, members of the committee will be available to assist the EUB in implementing the recommendations.



THE INTERNET—A CRITICAL BUSINESS TOOL FOR THE EUB

In 1995, the EUB was born as a result of the merger of the Alberta Energy Resources Conservation Board and the Public Utilities Board. That same year, the EUB launched its World Wide Web site as part of a strategic direction to increase the use of electronic media to disseminate information. As we assess the year 2000 through the lens of <www.eub.gov.ab.ca>, what has evolved from the Web site's 1995 origins is truly remarkable and reflects the extraordinary advances in Web-based technologies and applications that are ultimately transforming our world.

WHO USES THE WEB?

According to recent surveys, over half the adult population in North America is "on line," with Internet access at home and/or at their workplace. People of all ages, businesses of every size, all levels of governments the world over, and many other organizations continue to gravitate to the Web in increasing numbers to avail themselves of services and to establish their own Web sites. One e-commerce assessment estimated that, overall, Internet usage doubles every 100 days. Whatever yardsticks are used, suffice it to say that the Web has been riding an exponential growth curve since its creation and shows no signs of slowing down.

The EUB's business conducted on the Web has evolved at a rapid pace: In 1995 there were about 21 000 "hits" (or Web site accesses) on the EUB's Web site for the entire year. During the year 2000, Web site hits on the EUB's home page averaged almost 40 000 hits per month. These changes reflect much more than just increasing numbers of EUB Web site hits.

THE EUB WEB SITE THROUGH TIME

In 1995, the EUB Web site included only limited "read-only" services, such as providing lists of applicable acts and regulations, EUB informational letters, interim directives, and general bulletins, along with a catalogue of EUB publications and a few other information services. By 2000, virtually every facet of the EUB's utility and resource management functions were reflected in some manner within the Web site, and more are planned for the future.

In addition to simply adding many new information services (like a huge passive "electronic library"), a number of activity-based resource management functions were also introduced, such as industry filing required well drilling and test data, oil-field waste dispositions, and other information to the EUB electronically via the Web site. This type of e-commerce is more and more commonplace and holds the continuing promise of increased efficiencies for all parties involved.

The year 2000 also saw various changes to the EUB's Web site, including an upgrade and various refinements to the visual look and Web indexes used to guide people from the home page to other locations and data. Although the industries that the EUB regulates are definite big users of EUB's Web site, there is now a greater variety of users. Given the increasing interest of Alberta landowners and other members of the general public in many energy issues, a number of other changes have been made to the Web site in order to more directly present information that may be of interest. These include the expansion of the Public Information Corner, the addition of the Appropriate Dispute Resolution section, and many direct links to other potentially useful Web sites.

On 140 different dates during 2000, single or multiple notifications were added to the site, reflected in the EUB's "What's New?" index. This index lists all Web additions by date, with direct links to all posted documents. Other significant milestones have included posting the inaugural edition and subsequent issues of the EUB's newsletter *Across the Board*. All told, almost 500 new documents, many of them with huge amounts of data, text, tables, maps, and other files, were added to EUB's Web site during 2000. Whether it was a decision report, pipeline statistics, a news release, or subsurface pressure surveys, the amount of EUB information presented and business conducted via EUB's Web site definitely reached new heights.

THE FUTURE

What does the future hold concerning Web site uses and the EUB? To provide feedback and help shape development of the site, "user profiles by region" statistical reports are produced, which summarize all Web hit activities, such as average user sessions per day, numbers of pages viewed, most/least requested pages, and most downloaded files, among other activities. But even with this information, managing the pace of change is an ongoing challenge. "Saying too much more other than 'the Web is here to stay' is difficult," says EUB Web master, Liz Johnson. "In five short years we have seen a tremendous evolution of Internet applications, not only for the EUB and other businesses, but also for every person in the world. Exactly where these advances take us, and how fast, remains to be seen."

THE REVISION OF EUB *GUIDE 56: ENERGY DEVELOPMENT APPLICATION GUIDE*

In October 2000, in response to stakeholder feedback and a commitment by the EUB to improve stakeholder confidence, the EUB announced the first of a number of significant changes to the way the Alberta petroleum industry will plan, prepare for, and submit energy development applications.

While many Albertans know that the province has a thriving crude oil, oil sands, and natural gas industry, many don't realize exactly how busy the petroleum industry really is. Consider this: in the year 2000, the EUB received and processed approximately 28 000 petroleum project applications!

Every single one of these makes use of an EUB applications guide and review process to ensure that

- the proposed projects meet the mandate, rules, and regulations of the EUB;
- the facilities can be operated safely and in an environmentally responsible manner; and
- the operator has conducted significant and meaningful public consultation with involved members of the public.

The guide that industry uses in following this process is *Guide 56: Energy Development Application Guide*. Despite having such an unexciting name, this guide really is the workhorse of the EUB.

WHAT EXACTLY IS *GUIDE 56*?

Guide 56 provides operators with step-by-step instructions in the application process. EUB staff use the guide to effectively and efficiently handle tens of thousands of petroleum energy development applications annually. The guide also details the application and audit process designed to improve industry compliance with EUB regulations.

Volume 1 of *Guide 56* contains a number of different application forms and instructions on completing these applications for specific petroleum developments, such as wells, pipelines, and production facilities, including compressor stations and gas processing plants. Volume 2 comprises the appendices, with pertinent EUB policy and technical guidelines, regulations, and legislation excerpts. Volume 2 also contains the extremely important public consultation guidelines that industry must follow in order to effect meaningful public involvement and have local residents, landowners, and communities understand what energy projects are all about.

Through the use of this guide, the EUB ensures that its application process meets the needs of all stakeholders.

... the EUB ensures that its application process meets the needs of all stakeholders—both the public and the industry.

PUBLIC CONSULTATION

As mentioned, a basic requirement of the EUB's application process is that significant and meaningful public consultation takes place between the applicant (the petroleum company) and residents/landowners who may be directly and perhaps adversely impacted by the applicant's energy development project.

As part of the application requirements, the company must provide such residents/landowners with a detailed information package. The petroleum company is required to provide enough information about its proposed project so that directly affected residents and landowners understand the facts of the proposal and the possible impacts.

The company must also provide landowners, local residents, and the community with the opportunity to have their questions answered, enabling them to fully participate in the decision-making process.

The EUB encourages directly affected residents and landowners to study the information contained in the company package and to meet with company representatives to discuss the proposal, including measures that could reduce potential impacts and any alternatives that may exist. If residents and landowners have questions or concerns either before or following their discussions with the company, they may call the EUB for assistance.

With the introduction of changes to *Guide 56* in the October 2000 edition, the information package distributed by a company now must contain material about the EUB's roles and responsibilities in the regulation of Alberta's energy developments and how we can help residents and landowners. This includes what the options are if there is disagreement with or concerns about the petroleum development being proposed. It also includes telephone numbers for both the EUB's Calgary headquarters and the eight EUB field centres located throughout the province.

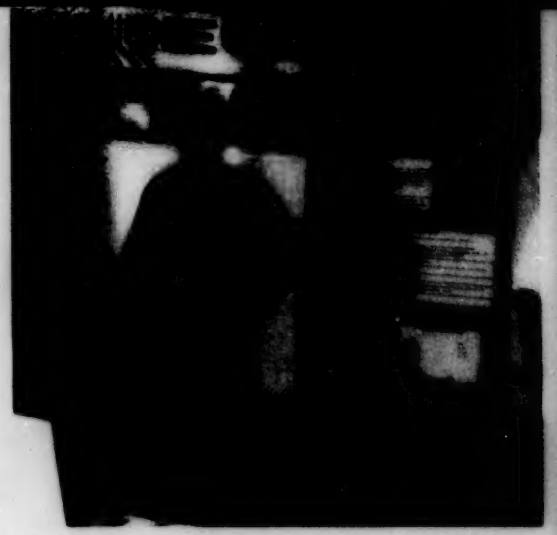
If matters cannot be resolved, the EUB can provide residents and landowners with more information on its adjudicative process, including information on Appropriate Dispute Resolution (ADR).

OTHER SIGNIFICANT CHANGES

Other significant changes in *Guide 56* reflect the continued desire of the EUB, industry, and the public to significantly reduce flaring in Alberta. Flaring issues that arise in *Guide 56* are coordinated with EUB *Guide 60: Upstream Petroleum Industry Flaring Guide*.

The 2000 edition of *Guide 56* also includes relevant aspects of the Expanded Orphan - Liability Management Program (see separate story in this issue of *Regulatory Highlights*), which sees the petroleum industry voluntarily protect Albertans from the liability costs associated with environmental cleanup of "orphaned" wells and petroleum facilities (those wells or facilities left with no financially capable ownership, known as "orphans").

OPEN HOUSES PROVE SUCCESSFUL



In an effort to improve public awareness, the EUB held open house sessions in three rural locations during the past year.

Landowners, government officials, industry professionals, and EUB staff shared in the events, with participants agreeing that they were informative and helped increase the EUB's involvement in community issues.

Open houses are two-way communication tools used to promote public-industry relations and to make the concerns of rural Albertans visible. They provide a forum where the EUB can listen to and understand public issues and provide much-needed answers.

WAINWRIGHT OPEN HOUSE

The first open house was held on March 30, 2000, in Wainwright's Communiplex Centre. Citizens expressed concerns about oil and gas developments in their community and said that a forum addressing pertinent issues would be useful to alleviate their unease.

Sessions began with a brief introduction and presentation by EUB field centre staff, followed by an address on landowner and industry relationships and conflicts, as well as a summary of the topics to be covered during the open house.

A talk about the EUB enforcement ladders followed, with discussion on the upstream petroleum industry flaring practices concluding the formal presentations.

Participants then had the opportunity to ask questions and discuss their concerns with EUB staff. EUB Chairman, Neil McCrank, and Chief Operating Officer, Earle Shirley, were on hand to meet participants and address issues.

A comprehensive EUB display board helped inform participants about our mission, vision, and values as well as regulation procedures.

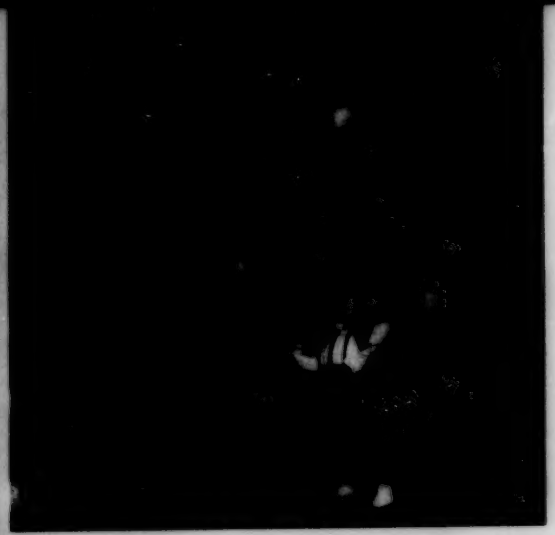
Feedback obtained through a questionnaire showed that of the 200 participants, 93 per cent believed the session was a worthwhile occasion. In reference to reasons for attending, 35 per cent said they came to the open house to gain knowledge about the EUB and its practices, 39 per cent were interested in presentation topics, 30 per cent were concerned about local energy developments, and 37 per cent wanted to meet the Wainwright field centre staff.

Wainwright staff member Agnes Hogg said, "It was very useful for everyone—the public, industry, and our staff—to meet in person the people they regularly deal with on the phone; to be able to put faces to the names."

STRATHCONA OPEN HOUSE

The St. Albert Field Centre held an open house at Festival Place in Sherwood Park on September 12, 2000, attended by approximately 128 public, industry, EUB, and government agency representatives.

During the informative session, oil and gas professionals explored topics of application processing, enforcement, and flaring. Information about the EUB was presented on four



Overall, feedback was positive, with ratings consistently between good and very good. The majority of respondents cited concern about energy development or utility matters, and interest in learning about the EUB as the main reasons for attending.

display booths, which focused on the Board, the St. Albert Field Centre, application processes, flaring, pipelines, and enforcement. As well, various government departments created nine display booths to illustrate their role in the oil and gas industry. Attendees were able to obtain brochures, pamphlets, and other informative materials.

An information package was distributed during the open house, including a brief questionnaire, which was completed and returned by about 17 per cent of the participants. Overall, feedback was positive, with ratings consistently between good and very good. The majority of respondents cited concern about energy development or utility matters and interest in learning about the EUB as the main reasons for attending. The majority were residents of the Strathcona area and felt the event was worth their time.

EDSON OPEN HOUSE

The Drayton Valley Field Centre held the EUB's third open house in 2000 at the Edson and District Recreation Complex in Edson on November 8, 2000. The primary focus of discussion was on oil and gas development, including the Talisman Edson sour gas plant, sour well drilling, emergency response planning, applications, risk, flaring, field surveillance, and human health.

Three booths were included in the event, developed by Alberta Environment, Westview Health, and West Central Airshed Society. In addition, the EUB had informational displays on the Drayton Valley Field Centre, application processing, flaring, pipelines, and enforcement.

Discussions were held about the formation of a synergy group, with the Drayton Valley Field Centre offering to assist in the creation of one consisting of residents, industry, and government representatives. This type of group has proven effective when dealing with continuing concerns, as it offers an opportunity for the public and industry to communicate directly.

Out of the total 95 people attending the open house, about 17 per cent completed and returned the questionnaire included in their information packages. Interest in presentation topics was the number-one reason why participants attended the event. The majority of respondents rated the session as very good. Questionnaire participants, consisting mainly of energy professionals, considered the event to be worth their time.

OPEN HOUSES FOR 2001

Open houses for 2001 include

- High Level
- Midnapore, South Calgary
- Rocky Mountain House

EUB APPROPRIATE DISPUTE RESOLUTION PROGRAM

By year's end, stakeholders in the energy sector were anticipating the release of the EUB's *Informational Letter 2001-1: Appropriate Dispute Resolution (ADR)*, which outlines the principles supporting the EUB's new program for resolving conflicts in Alberta's energy sector and provides guidelines for using it.

A multiparty stakeholder committee worked with the EUB since summer 1999 to design an ADR framework and to help put dispute resolution tools in the hands of industry, landowners, and public interest groups. Membership in the committee, which guided the research and development of the program, was broadly representative, to ensure that all interests were considered.

ADR incorporates a process that provides an opportunity to develop local solutions to local issues as appropriate and to choose the right option for the right situation. The word "appropriate" accents the wide number of dispute resolution options available and reinforces the important facilitation role the EUB plays in dispute resolution. ADR options include negotiation, facilitation, mediation, arbitration, and an EUB hearing.

The ADR program has been developed against a background of rapid growth in Alberta's energy industry:

- In 1974 there were only 70 oil and gas companies; in 2000 there were more than 1300.
- Out of 28 728 applications for energy development in 2000, only about 1.7 per cent, or 479, had some kind of issue to resolve.
- In 2000 there were 81 energy and utilities proceedings, up from 44 in 1999.

Along with the recent overall trend in Alberta toward the increased use of dispute resolution in many different contexts, ADR related to energy and utilities is seen as an extension of the EUB's expectations for public consultation that began in the mid-1980s.

Albertans want a say on issues that affect them. That growing public concern has added up to a much greater investment of time, effort, and emotional energy for everyone involved in upstream petroleum developments and with utilities.

Thus the overriding goal of the ADR program is to improve landowner/industry relations in the interest of all Albertans. Other positive outcomes of ADR are expected to include

- better use of the EUB's and stakeholders' time and other resources;
- more face-to-face discussions between affected landowners and company decision-makers;
- enhanced efficiencies in the effort to meet the needs of stakeholders in the electricity and upstream oil and gas sectors;
- increased resolution of industry-to-industry disputes without an EUB hearing; and
- more effective and efficient hearings, as required.

With the help of a mediator, the parties could meet to explore and reach agreement on issues such as timing and deadlines, confidentiality and privacy, costs, the role of advisers, and further steps.

Thanks to stakeholder input, the parameters of the ADR program were expanded from those initially envisioned. "By involving people who are affected by energy development in the design of this ADR program, we were confident that the 'made-in-Alberta' program we were coming up with would encourage parties in dispute to give ADR a try," said Bill Remmer, the EUB's ADR coordinator.

Stakeholder input in the design of the program led to three significant changes from the initial terms of reference:

- The program has also been broadened to apply to disputes concerning application conflicts involving wells, pipelines, and production facilities, as well as electrical substations, transmission lines, and other facilities in the industries regulated by the EUB.
- The program was initially targeted at disputes between companies and the public/landowner/stakeholder. It is now going to apply also to industry-to-industry disputes between competing companies, in addition to public-to-industry disputes. A unique and innovative feature of the EUB's ADR program is the opportunity it gives to parties in dispute to attend a "Preliminary ADR Meeting" to explore whether ADR options, such as mediation, might be appropriate to their situation.

The EUB and the stakeholder committee believe that parties need an opportunity to talk about how to design their particular dispute resolution process. Many questions would need to be considered and answered before the parties would be able to commit to mediation or other options. With the help of a mediator, the parties could meet to explore and reach agreement on issues such as timing and deadlines, confidentiality and privacy, costs, the role of advisers, and further steps. This Preliminary ADR Meeting would usually be of limited duration and nominal cost.

Once the EUB and stakeholder committee established the Preliminary ADR Meeting concept, they were able to address several of the key issues expected to arise in implementing the ADR program:

- Who will pay? The EUB and committee decided that industry participants would pay for the Preliminary ADR Meeting, including the direct third-party costs of landowners and the public. Costs and payment for future ADR options would be discussed and agreed to at the Preliminary ADR Meeting.
- Timing. They determined that ADR would not delay the EUB's decision on the need for or the scheduling of an EUB hearing.
- Will the program be voluntary or mandatory? They decided that participation would be voluntary, but that the EUB would strongly encourage parties to at least attend a Preliminary ADR Meeting.

Though proud of the work the EUB and the committee were doing, Mr. Remmer cautioned that ADR would not be a cure-all for every conflict.

"We have to remember that this process is meant to facilitate a party's ownership and accountability for its own conflict resolution and that ADR will only be one of the tools the EUB provides the public and the industry," he explained. He added that parties in conflict would also have to educate, prepare, and equip themselves with whatever tool best suits the conflict in question. "No one tool is going to be the best."

In addition to the Preliminary ADR Meeting, other features being included in the program are increased facilitation activities on the part of trained EUB staff, a roster of service providers and mediators, and an evaluation system to monitor the program and to foster ongoing learning.

UPSTREAM PETROLEUM INDUSTRY FLARING AND VENTING

Success in environmental issues is often measured in small steps. It is relatively rare, then, when something like emissions reduction goals are met years in advance of their target dates. When the EUB initiated new requirements in July 1999 for upstream flaring reductions in the province via *Guide 60: Upstream Petroleum Industry Flaring Guide*, it set as key targets a firm solution gas flare reduction schedule (see table, next column). It also provided for the production and release of an EUB annual report on industry flaring performance. This report supports the ongoing review of all upstream oil and gas flaring while focusing on solution gas (natural gas that is produced in association with crude oil). The first such annual report, *EUB Statistical Series 2000-60B: Upstream Petroleum Industry Flaring Report, 1999*, was released in August 2000. The report is available free on the EUB Web site at <www.eub.gov.ab.ca>. It is also available on paper from EUB Information Services.

The solution gas flaring reduction targets set by the new requirements for upstream petroleum industry flaring called for significant percentage reductions from a 1996 baseline volume. This 1996 baseline volume of solution gas flared from crude oil and crude bitumen batteries was 1.7 billion cubic metres.

Solution gas flaring reduction schedule

Year	Firm target reduction	Actual reduction
1999	None established	30%
2000	15%	38%
2001	25%	

While no reduction targets were even set for 1999, EUB data show that for actual volumes of solution gas flared in 1999, there was an overall reduction of approximately 30 per cent compared to the 1996 baseline. When vented volumes are included, the combined 1999 flared and vented volumes were still 23 per cent lower than the 1996 flared and vented volumes.

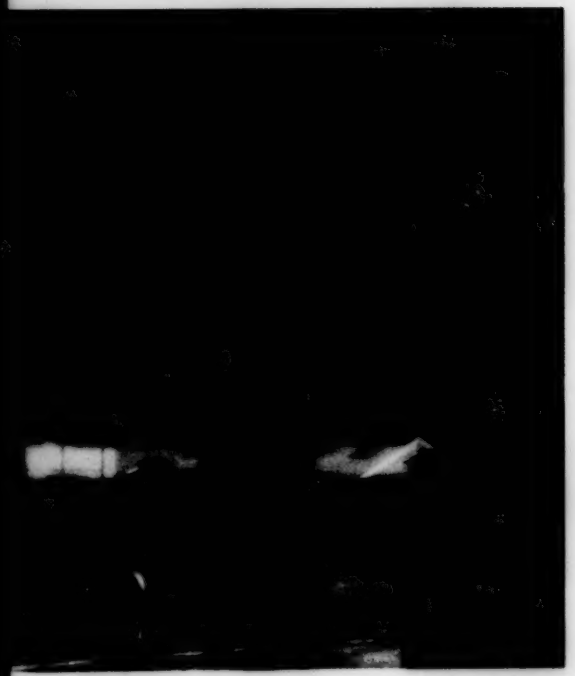
This marked significant progress by the Alberta petroleum industry toward the ultimate goal of eliminating routine solution gas flaring and venting exceeded the reduction targets for year-end 2000 by a significant margin. Further, and as expected, the industry's solution gas conservation efficiency of 94.1 per cent for 1999 was the highest in history.

As shown in the table above, the oil and gas industry recorded significant results in both conserving natural gas and reducing flaring over the course of the 1990s.

FLARING

Solution gas flared from crude oil and crude bitumen batteries represents 63 per cent of the gas flared in Alberta. The EUB expects operators to remain diligent in their efforts to ensure that every opportunity to reduce flaring or venting of solution gas is examined and implemented where appropriate.

Another key feature of *Guide 60* is that flares where there are residents wit hin 500 metres had to be evaluated and brought into compliance with the flare performance requirements by December 31, 2000. As well, residents within 500 metres of these flares must have been notified as to a company's intentions by year-end 2000. The EUB notes that this involved residents living near 149 batteries. Further, all solution gas flares must be evaluated by December 31, 2002, to determine if the solution gas can be conserved. Flaring of solution gas is regularly monitored by the EUB. Batteries with significant flare volumes are assessed on a case-by-case basis. In March 2000, during the preparation of data for the annual report, the EUB encouraged companies to check the accuracy of all 1999 solution gas flared and vented data they had previously submitted to the EUB and to make any necessary amendments. As a result of this review, some companies made significant amendments to their 1999 solution gas flared volumes. These amendments had the effect of decreasing the solution gas flared volumes and increasing vented volumes originally reported to the EUB. Most of these amendments were due to industry incorrectly reporting vented gas as being flared.



EUB finds that solution gas flare volumes decreased by 30 per cent—far exceeding initial reduction targets.

VENTING

Notwithstanding the significant progress made in reducing flaring and venting, the EUB is particularly concerned with the amount of vented volumes and therefore believes that it is essential to expedite a review of venting practices. The EUB will incorporate venting into the scheduled 2001 review of *Guide 60*, which it initiated in the fourth quarter of 2000. The review will determine what reduction and control requirements should be applied to vent gases. EUB staff have already initiated work with the Clean Air Strategic Alliance (CASA) and the Canadian Association of Petroleum Producers (CAPP) to set up this review.

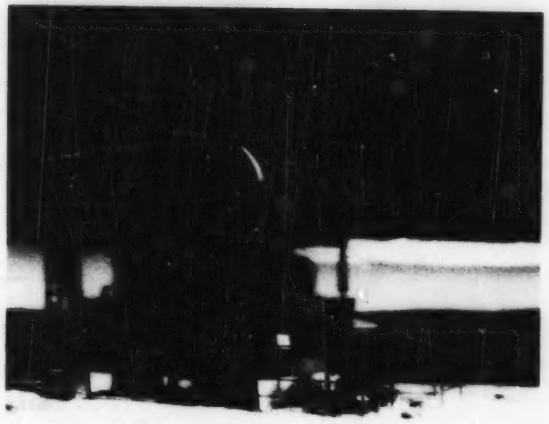
In its 2000 annual flaring report, the EUB listed the percentage of solution gas that was conserved by individual companies. The report also ranked companies based on solution gas flared, solution gas vented, total solution gas production, and total oil production from crude oil and crude bitumen batteries. Companies were ranked provincewide and also within each EUB field centre area. It was possible to flare a significant volume of solution gas because of the scale of a company's operations and still have a high percentage of gas conserved. The EUB notes that each individual company deals with different geological conditions and production complexities unique to its operating areas within the province, which affects the economics of gas conservation.

CONSERVATION

The annual report indicated that solution gas conservation levels in the Bonnyville and Wainwright areas, where heavy oil and crude bitumen are produced, were lower than in the rest of the province. This was related to lower volumes of gas production on an individual well basis and less favourable economics associated with gas conservation, as well as the limitations of cost-effective technology for recovering solution gas with this type of production. Notwithstanding this fact, the EUB believes that there are opportunities to increase gas conservation in these areas and will be pursuing the realization of those opportunities with the operators.

Work by CASA and industry, along with the development of *Guide 60*, has resulted in significantly less gas being flared in Alberta today than was the case at any time in the 1990s. The EUB believes that these reductions reflect the industry's effort to conserve gas. At the same time, the EUB expects the industry to continue to develop further opportunities for increasing solution gas conservation and reducing solution gas flaring and venting. The EUB will continue to monitor flaring and venting reduction progress and annually update flaring performance management information. In conjunction with other stakeholders, the EUB will continue to work towards the goal of reducing all routine solution gas flaring where possible.

LIABILTY MANAGEMENT PROJECT

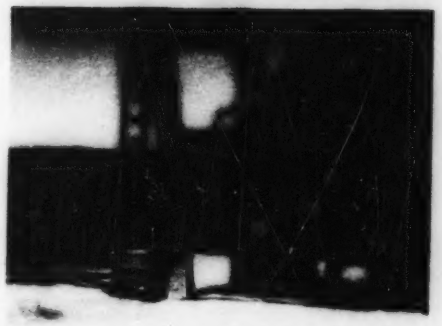


In 1994, with strong support from Alberta oil and gas producers, the Alberta Legislature passed Bill 5, establishing the Orphan Well Program to abandon oil and gas wells that have no remaining viable owner. Abandonment and cleanup of these wells is 100 per cent funded by the petroleum industry. The EUB administers this fund and a regulatory framework aimed at limiting the occurrence of orphan wells. By the year 2000, the Alberta oil and gas industry had contributed over $20 million to the Orphan Well Program, which had abandoned 328 orphan wells since 1994.

There has never been any question as to the success of this program, with the petroleum industry being proactively responsible for the abandonment of these orphan wells. However, as Alberta's petroleum industry matures, many of the thousands of oil and gas production facilities (not only wells, but also pipelines, gas plants, batteries, satellites, compressor stations, etc.) across the province are reaching the end of their operational lives. In the spring of 2000, the Government of Alberta passed Bill 13, the Energy Statutes Amendment Act, 2000, which expanded the existing Orphan Well Program to include pipelines, upstream oil and gas facilities, and surface reclamation.

Taking this action shows that the Government of Alberta, the regulator, and the petroleum industry take very seriously their responsibility to Albertans to properly abandon and reclaim those sites that are no longer needed. Industry associations actively participated with the EUB and a number of government departments in the development of this legislation to ensure that end. Cleanup operations conducted under the expanded Orphan Program will continue to be funded 100 per cent by the oil and gas industry via a levy on inactive wells and facilities.

Fundamental to the expanded Orphan Program, the EUB and Alberta Environment will identify and hold licensees and owners responsible for properly abandoning, decontaminating, and reclaiming upstream petroleum facilities. This will provide a level playing field for industry, so responsible companies do not bear the liability costs of noncompliant companies. If no financially viable responsible party is found, then



the fund will pay these costs. The new regulatory requirements resulting from the Energy Statutes Amendment Act will result in improved management of energy industry abandonment liability, including the timely cleaning of sites at the end of their lives.

This unique partnership of the petroleum industry, the regulator, and the Government of Alberta protects the public from significant potential environmental issues and costs associated with abandoning, decontaminating, and reclaiming those lands that have been involved in petroleum resource recovery. It is a model for the future as Alberta's petroleum industry matures.

In 2001, the EUB will continue to consult with stakeholders on the final details of this liability management process. Over the past few years, the EUB and industry have seen substantial increases in the area of corporate mergers and acquisitions. As part of its commitment to industry and the public to hold licensees and owners responsible for their upstream petroleum facilities, the EUB is working towards finalizing a "licensee liability rating" and a "transfer liability rating." These will be used by the EUB to evaluate the ability of companies to meet their obligations.

There has never been any question as to the success of this program with the petroleum industry being proactively responsible for the abandonment of these orphan wells.

Ensuring reclamation of oil and gas sites remains the jurisdiction and responsibility of Alberta Environment. However, in whatever final form it may take, administration of the expanded Orphan Program will provide "one-window service" to the energy industry for collecting both abandonment and reclamation security deposits and the annual levy to fund abandonment and reclamation of orphan sites.

APPLICATIONS AND PUBLICATION SUMMARY

2000 APPLICATIONS

Wells

- 16 307 new approvals (sweet single well, sweet multiwell pad, sour single well, sour multiwell pad, sour well, critical sour well)
- 536 re-entry (sweet single well, sour single well, sour well, critical sour well)

Production Facilities

- 1545 new sweet and sour facilities: oil and gas batteries, satellites, compressor stations, tank farms, pump stations
- 457 modifications to the above facilities
- No new sulphur recovery gas processing plants
- 7 modifications to sulphur recovery gas processing plants

Pipelines

- 5995 pipeline permits for new construction
- 3571 amendments to existing pipeline licences

Oil Sands

- 0 registered applications/proceedings for new or expansion of existing mining or plant projects
- 29 nonregistered applications related to mine or plant operations
- 37 new experimental and primary recovery oil sands schemes
- 5 new commercial schemes

Environmental Review

- 299 sour gas flare permits

Coal

- 24 registered applications for new or modified coal projects
- 31 nonregistered applications related to mining operations

Refineries (oil sands, oil, or gas)

- 2 industrial development permits

Reservoir Development

- 2357 applications for reservoir schemes, spacing, commingling, and others

Hydro and Electric

- 85 applications for transmission lines and substations, power plants, industrial system designations, electrification association, and service area change

Utilities

- 51 gas utility applications
- 38 electric utility applications
- 83 special franchise agreements
- 30 other types of applications (rate riders, sale of assets, milk price orders, exemptions)

2000 PUBLICATIONS

Maps

- Map of Alberta Strike Areas Revised to May 2000
- Coal Maps 1999
- Mineable Oil Sands Regional Development Status Maps

Publications

- Across the Board - Monthly Newsletter
- Statistical Series 13A: Alberta Gas Plant Statistics at December 1999
- Statistical Series 78: Pipeline Location Plats
- Statistical Series 2000-18: Alberta's Reserves 1999: Crude Oil, Oil Sands, Gas, Natural Gas Liquids, and Sulphur
- Statistical Series 2000-31: Reserves of Coal
- Statistical Series 60B - Upstream Petroleum Industry Flaring Report for the Year Ending December 31, 1999
- Statistical Series 2000-57: Field Surveillance Provincial Summaries - April 1999/March 2000

Guides

- Guide 17-1: Electric Transmission Lines and the Regulatory Process in Alberta
- Guide17-2: Well Site Selection and the Surface Owner
- Guide 17-3: Pipeline and Surface Rights: A Guide for Landowners and Occupants
- Guide 38A: What You Should Know About Energy Industry Noise
- Guide 56: Energy Development Application Guide (2 volumes)
- Guide 60: Upstream Petroleum Industry Flaring Guide Updates and Clarifications
- Guide 62: Responding to Public Concerns About Oil and Gas in Alberta
- Guide 64: Facility Inspection Manual
- Guide 65: Resources Applications for Conventional Oil and Gas Reservoirs
- Guide 67: Identification Code and Agent Registration Application Guide for Potential Licensees
- Guide 68: Retrospective Facility Licensing
- Guide 69: Energy Development Licence Transfer

ALBERTA ENERGY AND UTILITIES BOARD STAFF IN 2000

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